

VDH Drinking Water Funding Program Guidance Package #2

FUNDING DISBURSEMENT AND LOAN PAYMENTS

Staff at VDH will receive the disbursement requests, conduct a review of the documentation, and authorize payment.

Disbursement of Funds

Following completion of the closing process and execution of the financing agreement, the disbursement process can begin. The first disbursement of proceeds will be made at loan closing. The request can cover costs incurred prior to the agreement (such as planning, design, legal and administrative costs, etc.) as long as these costs have been identified previously as part of the approved project's scope-of-work. VDH funds can also cover modifications and/or redesign to a previous project with proper supporting documentation. Since this could be a potential problem area, the Recipient should check with the VDH to determine eligibility prior to finalizing the financing agreement and requesting reimbursement.

Disbursements are made on an actual cost basis. The costs must have been incurred prior to submitting the disbursement request. However, the costs may be paid prior to or after receipt of the funds by the locality. The requests for disbursement is made using the letter entitled Request for Disbursement which is part of the Financing Agreement. The letter Request must also include Schedule 1 (Schedule to Accompany Requests for Disbursement) and the Certificate of the Consulting Engineer (*all documents attached*). The requests are to be directed to VDH at the following address with a copy sent to the appropriate VDH Project Engineer and others as directed.

**VDH-Office of Drinking Water
Division for Planning, Policy, and Construction Assistance
109 Governor Street, 6th Floor
Richmond, Virginia 23219**

The request form is to be supported by invoices and/or other documentation of costs incurred for the approved project. Other documentation will include verified copies of the contractor's payment request, invoices from the engineer and/or lawyer, equipment invoices, etc. Since the financing agreement is with the Recipient, all disbursement requests must be executed by the Recipient. Likewise, all disbursements will be made payable to the Recipient.

VDH will process all valid (supported) disbursement requests within 3 working days of receipt. **Any incomplete or invalid requests cannot be honored on the 3-day basis.** Requests should be calculated on the basis of invoiced or incurred cost less any contractual or specified payment retainage, unless retainage is escrowed.

The Recipient will need to receive a disbursement at closing for project costs incurred up to that time. This can only be accomplished if a valid disbursement request is submitted to the VDH **at least two weeks prior to the closing date.**

The Recipient should review its internal payment procedures to accommodate this reimbursement procedure. It is recommended that the procedures allow for payment to the contractor at least 30 days from receipt of the contractor's pay request unless other time frames are designated in specifications. For example, an invoice received by the 1st of the month could be paid on the 30th of the month. Assuming timely submission on the part of the Recipient, this procedure should allow for documentation of all costs incurred, enable VDH to concur with the validity of the request, and permit prompt disbursement. The purpose of this procedure is to minimize the extent to which the Recipient has to support the payment up front prior to reimbursement.

It is important to note that disbursements will be held to the 95% level (95% of the total amount) until a satisfactory final inspection and a final financial evaluation has been completed.

Reimbursement for Refinancing Efforts

Disbursement procedures may differ somewhat for approved projects involving a refinancing effort as these would normally involve a one time disbursement request for all eligible costs incurred during previous construction. VDH will need to review the Recipient's financial and project records prior to approving and authorizing disbursement. Since this may involve an on-site review, approximately 45 days should be allowed for this type of reimbursement.

Disbursement Scheduling

The disbursement schedule must include the complete budget for the project and should be updated periodically by the Recipient. Updates would occur after award of the construction contract to incorporate the contractor's anticipated requests to the Recipient. Changes to the project's completion schedule or significant (10%) deviations from the disbursement schedule would also necessitate an update.

Loan Payment

Payment must be made annually, beginning no later than one year after completion of the construction. Thus, payments will begin within the year following completion of construction activities as specified in the financing agreement, or as negotiated based on the Recipient's anticipated revenue flow. Payments for a project being refinanced should begin 30 days following disbursement.

Payments will include principal and interest, where applicable, and loans must be fully amortized within 20 years or 30 years for eligible projects. Payment can be on a semiannual or annual basis following negotiations. Working within these guidelines, payment provisions can be negotiated that will be acceptable to the Recipient. Payments will be based on the schedule agreed to by all parties and sent to the address specified in the financing agreement.

REQUISITION FOR DISBURSEMENT
(To Be on Borrower's Letterhead)

Date _____

Subject:
Water -

Mr. Thomas A. Slack
Division for Planning, Policy, and Construction Assistance
VDH-Office of Drinking Water
109 Governor Street, 6th Floor
Richmond, Virginia 23219

Re: (Name of Borrower)
____ - ____ - ____ (Financing Agreement Number)

Dear Sir:

This requisition, Number _____, is submitted in connection with the Financing Agreement, dated _____, 20____ ("Financing Agreement") for the _____ ("Borrower"). Unless otherwise defined in this requisition, all capitalized terms used herein shall have the meaning set forth in Article I of the Financing Agreement.

The undersigned authorized Representative of the Borrower hereby requests disbursement of proceeds under the Financing Agreement in the amount of \$_____, for the purposes of payment of the Project Costs as set forth on Schedule 1 attached hereto.

Attached hereto are invoices relating to the items for which payment is requested.

The undersigned certifies that (a) the amounts requested by this requisition will be applied solely and exclusively to the payment, or the reimbursement of the Borrower for the payment, of Project Costs, and (b) any materials, supplies or equipment covered by this Requisition are not subject to any lien or security interest or such lien or security will be released upon payment of the requisition.

This requisition includes an accompanying Certificate of the Consulting Engineer as to the performance of the work.

Sincerely,

(Authorized Representative of the Borrower)

Attachments

c: _____, VDH Project Engineer (with attachments)

CERTIFICATE OF THE CONSULTING ENGINEER
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

This Certificate is submitted in connection with Requisition Number _____, dated _____, submitted by the _____ (borrower). Capitalization terms used herein shall have the same meanings set forth in Article I of the Financing Agreement referred to in the Requisition.

The undersigned Consulting Engineer for the Borrower hereby certifies that insofar as the amounts covered by this Requisition include payments for labor or to contractors, builders or materialmen, such work was actually performed or such materials, supplies or equipment were actually furnished to or installed in the Project.

Consulting Engineer

Date

SCHEDULE 1

FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

REQUISITION # _____

BORROWER: _____

LOAN NUMBER: _____

CERTIFYING SIGNATURE: _____

TITLE: _____

Cost Category	Amount Budgeted	Previous Disbursements	Expenditures This Period	Total Expenditures To Date	Net Balance Remaining
TOTALS:					

Total Loan Amount	\$	_____
Previous Disbursements	\$	_____
This Request	\$	_____
Loan Proceeds Remaining	\$	_____